

MSP



Plataforma Multi-Stakeholder

NA REGIÃO NORTE DE MOÇAMBIQUE

Local Content in Mozambique



Executive Summary

The discovery of natural gas in Mozambique, particularly in the resource-rich but economically challenged region of Cabo Delgado, could significantly boost the country's GDP and local economy.

However, the effective integration of local content into the growing gas sector is hindered by lacking specialization of the workforce and the competitiveness of local suppliers coupled with an unclear regulatory framework, creating uncertainty for MSMEs and the workforce about their potential benefits from the sector.

Although it is understood that local content requirements aim to enhance employment, education, and infrastructure, their vague nature leads to reliance on investor proactivity which can result in inconsistent implementation, often requiring negotiations on a case-by-case basis.

The current employment environment in Cabo Delgado, heavily reliant on subsistence farming, highlights the need for economic diversification through initiatives like LNG mega-projects to improve job opportunities. However, the limited technical qualification of local talent and limited competitive local supply hamper the direct participation of the local population in the LNG industry.

There is a need for Mozambique to implement a more strategic approach to local content ensuring multi-stakeholder participation in the definition of clear guidelines for the sector and securing commitment for implementation

Note: If there are any local content programs/initiatives that weren't reflected in this document, please reach out to us at secretariat@mozmsp.org

Key takeaways

1

Mozambique, a resource-abundant African nation, has the potential to boost its economic growth through LNG projects and supporting local content

2

The limited qualified local content and competitive local supply hinder the local population from participating in the LNG industry

3

Since a specific regulatory framework is yet to be defined, the country provides local content requirements through guiding principles incorporated into various existing laws

4

A more strategic approach to local content implementation is required if the country is to achieve the expected growth

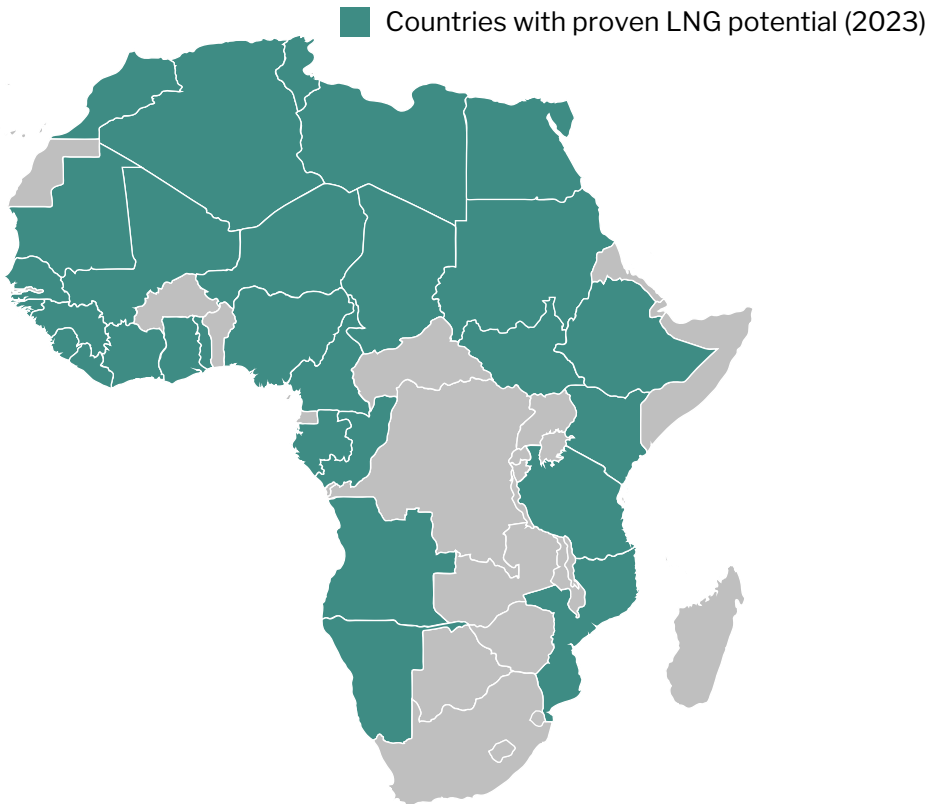
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Government leadership in all aspects related to local content is crucial

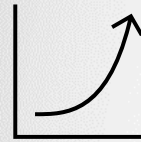
Mozambique is among several resource-rich countries in Africa with the opportunity to generate economic growth through LNG

African gas reserves

Nearly equivalent to that of the United States of America, estimated at 625.6 trillion ft in 2021



LNG projects have historically generated economic growth and development in the countries they are implemented



Significantly growing GDP, attracting considerable investment, improving energy security, and diversifying energy sources



Fostering socio-economic development improving local communities' living standards



Contributing to employment growth, through direct hiring and stimulation of ancillary industries and services

To derive more benefits from their resource's wealth, many countries impose Local Content Requirements

Local Content Requirements are **policy tools used by governments to generate economic benefits for the local economy, beyond fiscal benefits.** They often include a mixture of:



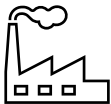
Local ownership

Requiring foreign firms as well as registered companies to enter **into joint ventures with local firms or open equity stakes to local partners** to obtain licenses. This ensures that sectors of national interests are not entirely foreign-owned and allows for the transfer of skills, know-how, or technology.



Procurement of local companies

Maximization of local procurement and preferences are given to sourcing from local companies, as an opportunity to localize the supply chain, potentially reducing extracting companies' operating costs while at the same time increasing the value that can be captured by local businesses.



Local industrialization

The strategic development of industrial capabilities within Mozambique by **prioritizing local procurement, employing and training local workers, supporting local businesses, facilitating technology transfer, and improving infrastructure.** This ensures that a significant portion of the economic benefits of all projects remains within the local economy, fostering sustainable growth and compliance with local content regulations



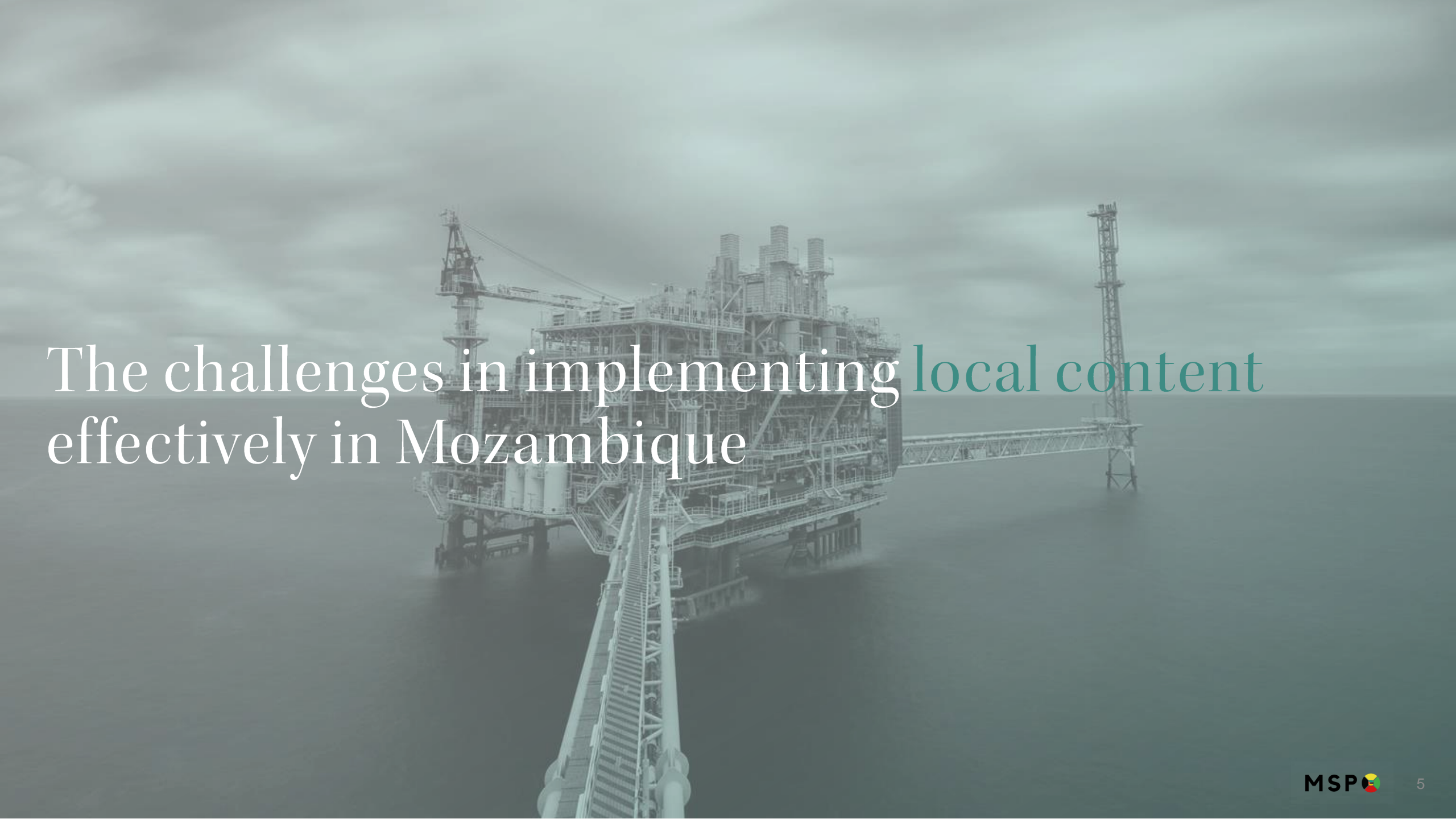
Local employment

Local employment at different stages of the value chain and of different levels of competencies. Enhance **local capabilities of employees and suppliers**, through training, skills and expertise development, and transfer of know-how and technology.



Local research and development

Requirements to bring **some level of technology or perform research and development** locally to increase usage of the latest state-of-the-art technology and benefit from technology transfer.

An aerial view of a large offshore oil rig in the ocean under a cloudy sky. The rig is a complex of steel structures, including a central processing platform, a tall derrick on the right, and a long walkway extending from the foreground towards the rig. The water is a dark, muted blue-grey, and the sky is filled with heavy, grey clouds.

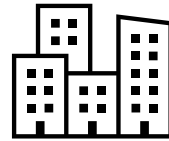
The challenges in implementing local content effectively in Mozambique

Local Content implementation in Mozambique is hindered by lack of a clear regulatory framework and insufficient qualified local talent and supply pools



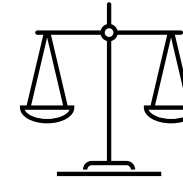
Limited Qualified Local Talent Pool

Education levels are very low in Mozambique and higher education is still to provide enough qualified graduates to respond to the technical demand that mega extractive projects will impose.



Limited Competitive Local Supply

Most of the private sector is comprised of micro and small companies with little to no capacity to consistently supply the level of quality expected by the mega projects.



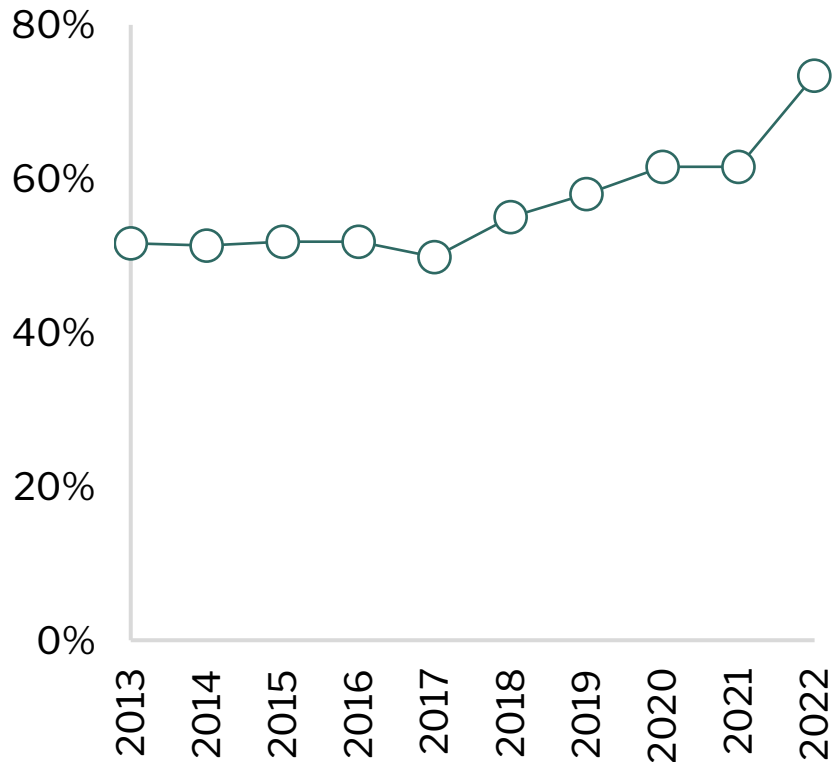
Lack of a Clear Regulatory Framework

Despite more than a decade since the discovery of LNG, the country has yet to create a dedicated law that is yet to be approved and relies on existing laws and guidelines to guide local content aspects.

Limited Qualified Local Talent Pool: More than 60% of young people in Mozambique have only completed primary school education...

Despite increasing primary school completion rate over the years, most graduates do not make it to secondary and tertiary level education...

Primary school completion rate (%)



CD¹ working age population² with access to TVET programs (%)

Enrolment into secondary level education (%)

Enrolment into tertiary-level education (%)



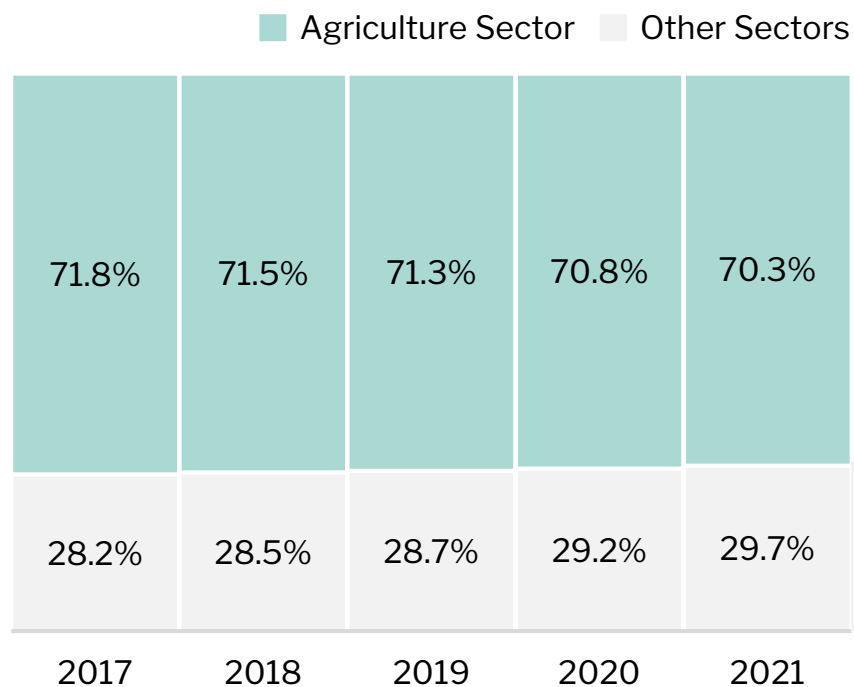
... as a result, various economic sectors end up deprived of qualified local talent, particularly for highly technical functions



1) Cabo Delgado; 2) Above 15 years old, per the national census; 3) Technical and Vocational Education and Training
Source: Mozambique Primary school completion rate - data, chart | TheGlobalEconomy.com; TotalEnergies Deloitte Market Study (Internal)

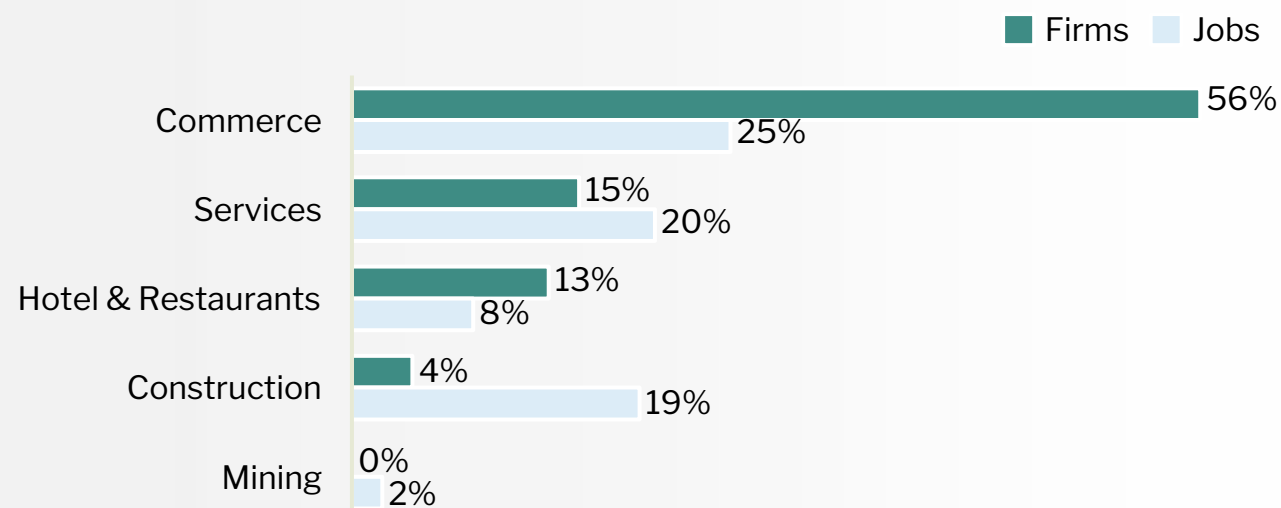
Limited Qualified Local Talent Pool:thus 70% of the workforce is absorbed by low-skill work, mainly subsistence agriculture

Mozambique Employment Rate (2017-2021) by sector (%)



With limited formal education, local youth are forced into marginal jobs in the **informal economy** with little prospect of decent employment.

Share of formal firms and jobs by sector, (2018 % of shares)

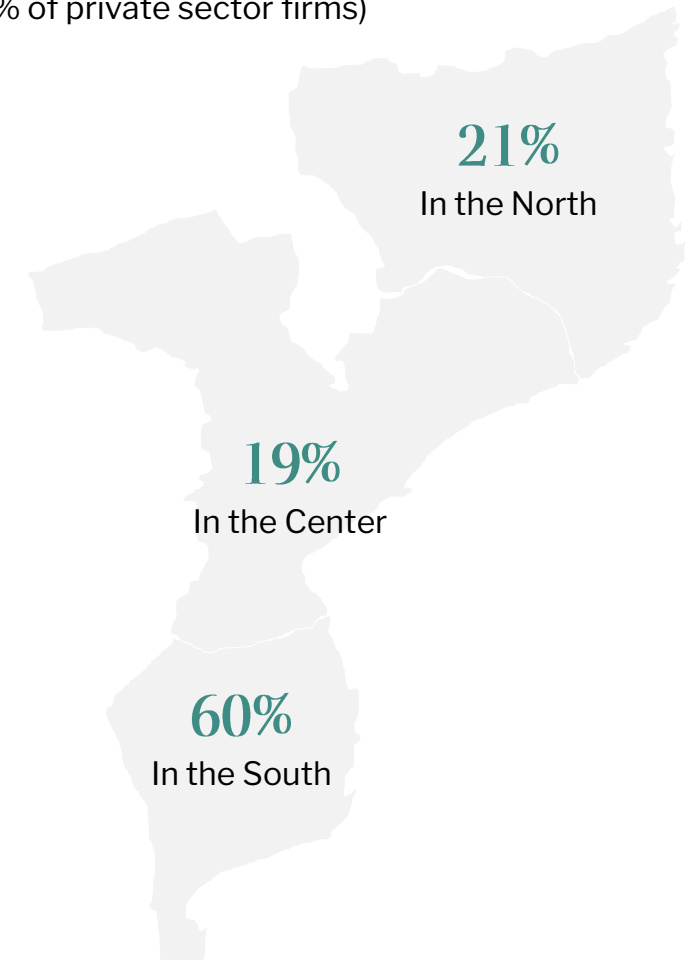


Limited national qualifications prevents local companies and communities from participating in foreign investment projects, particularly in extractive industries requiring specialized skills and services

Limited Competitive Local Supply: Mozambique's Private Sector is comprised of MSMEs concentrated in the south, most informal...



Private sector distribution in Mozambique
(% of private sector firms)

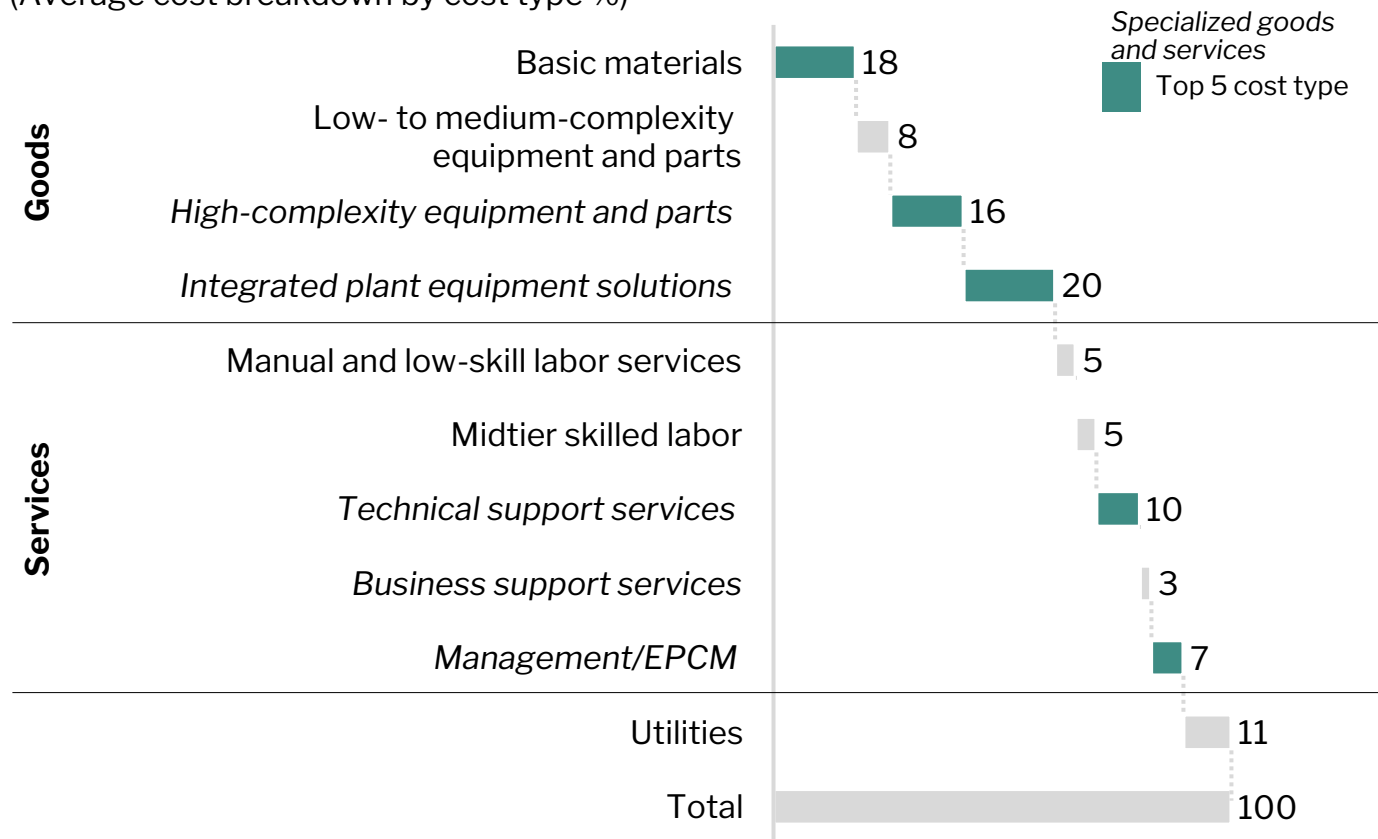


Limited Competitive Local Supply: ...at least 90% of Cabo Delgado companies don't have in place standards to work with large international companies

The LNG industry requires highly specialized goods and services that Mozambique, and Cabo Delgado in particular is unable to provide

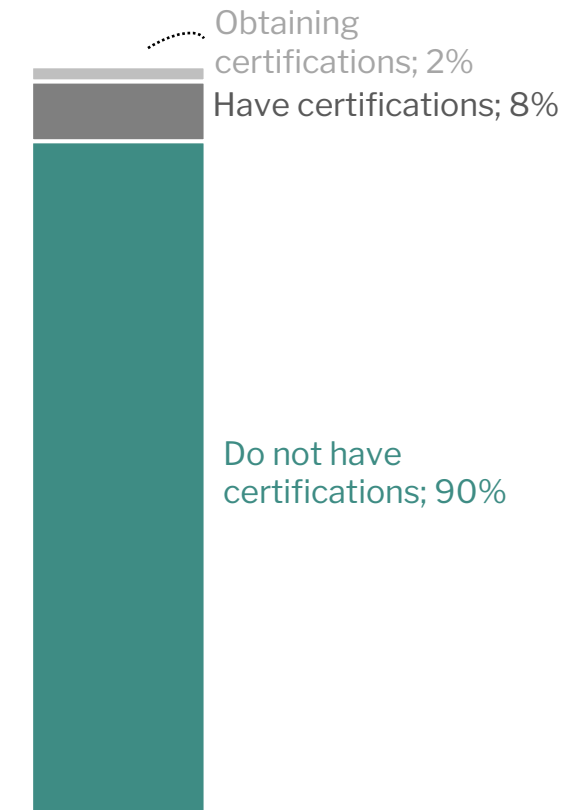
Oil and gas expenditure across categories

(Average cost breakdown by cost type %)

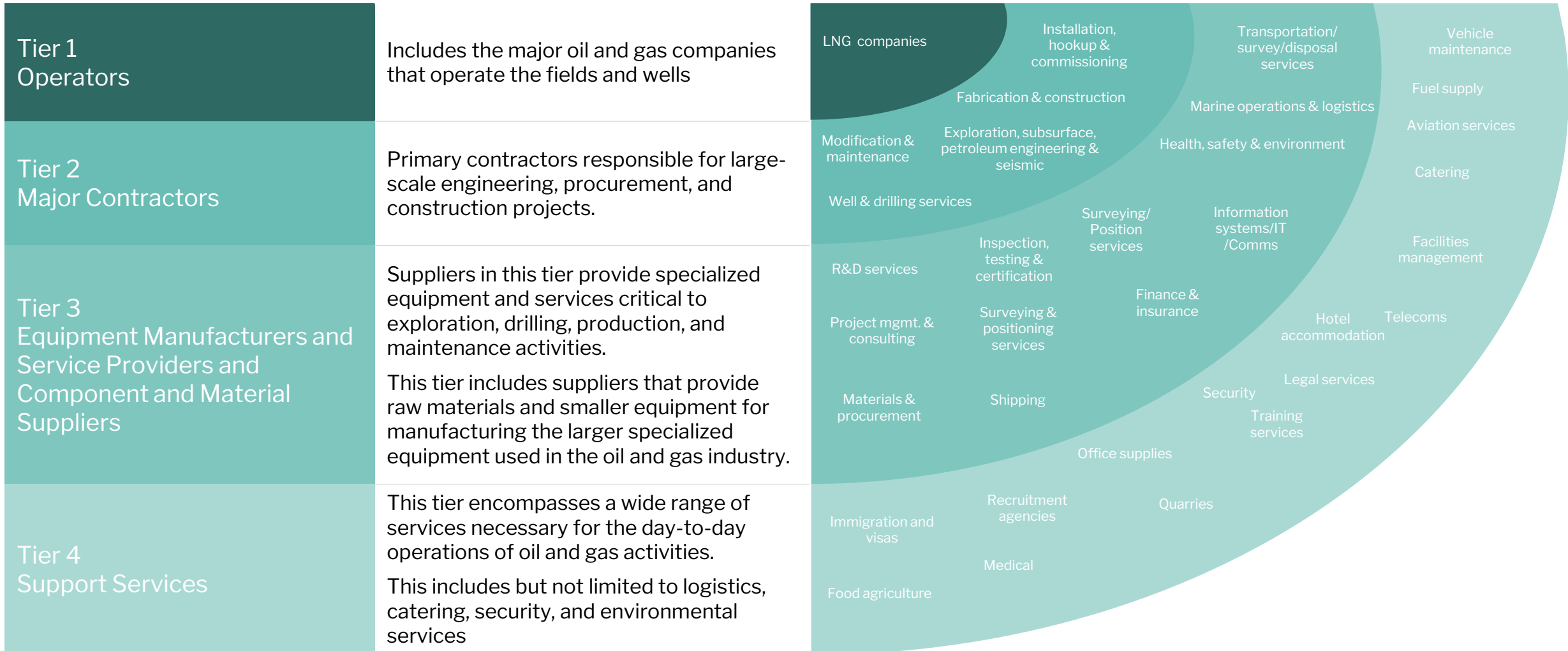


Companies' certification in CD

(% of local companies surveyed)



Limited Competitive Local Supply: Incorporating the local private sector into tier 4 is a viable option, but it is constrained by limited competitive supply



Lack of a Clear Regulatory Framework: The GRM shelved the draft Local Content Law that was approved in August 2019 by the Economic Council

An Economic Council prepared a local content law proposal for and ran public-private¹ joint consultations across the country

Consultation outcomes.

- During the drafting process of the Local Content law, the various ministries involved lacked clarity in their objectives, presenting a different vision. This divergence in perspectives is why a consensus could not be reached.
- The President of the Mozambique Energy Chamber (CEM) is encouraging Mozambican companies to partner with foreign firms to compete effectively in the hydrocarbon industry.
- The need to build technological, financial, and human capacities for Mozambican companies was highly emphasized.
- It was argued that this development is crucial for local companies to effectively compete with foreign firms in supplying goods and services to the Rovuma Basin gas concessionaires, though it was noted that progress is not occurring at the desired pace.



The law's analysis, revision, and approval were left with the Council of Ministers for appreciation, approval, and subsequent forward to the Parliament. As of 2024, the parliament is yet to receive the approved proposal



“Without a Local Content law, the country lacks the legal basis to enforce preferences for the procurement of local goods and services, the employment of local labor, and the involvement of both private and public individuals and legal entities in large-scale projects...”

Adriano Nuvunga

Executive director of the Centre for Democracy and Development (CDD)

Lack of a Clear Regulatory Framework: A dedicated law is yet to be approved and Moz. relies on sector specific laws to guide local content aspects

Sector	Legal Reference	Description	Local Content implication
Extractives	Mineral Resources Extractive Industry Soc. Resp. Policy (Resolution n° 21/2014, May 16 th)	Approves corporate social responsibility Policy for the Mineral Resources Extractive Industry	Demands CSR policies that fit in local development plans and support national companies in supplying goods & services, with technical skill and competitiveness
	Mineral Resources Policy and Strategy (Resolution No. 89/2013, December 31 st)	Adjusts the Mineral Resources Policy to the growth in mineral resource exploration activities	Promotes national businesses' participation and creation of partnerships in the mineral resources value chain in Supply of goods and inputs and service provision
	Petroleum Law (Law n° 21/2014, August 18 th)	Adapts the legal framework to developments in oil & gas, to ensure competitiveness and transparency, and safeguard national interests	Stipulates that (1) oil operators must provide jobs and technical training for nationals, preferably concession areas' residents; (2) the government must create mechanisms and define conditions to integrate nationals in oil and gas ventures
	Mine Law (Law n° 20/2014, August 18 th)	Ensures sectorial transparency, and safeguards national interests and community benefits	States that the government must create mechanisms to involve national businesspeople in mining ventures, including defining the terms conditions for such
	Legal regime applicable to Areas 1 and 4 (Decree-Law n° 2/2014, December 2 nd)	Decree-law that established the legal and contractual regime applicable to LNG explored in Areas 1 & 4 of Mozambique's Rovuma Basin	Determines that Oil & Gas local content plans must give preference to Mozambican companies in the supply of goods & services or, in specialized services, to foreign companies partnering with local companies via subcontracts or equity stake
	(Decree-Law n.º 40/2023, July 7th)	Regulates criteria to allocate and manage % of revenue earmarked to develop provinces, districts hosting mining, oil & gas exploration	Defines the percentage and criteria for the Mining Production Tax and Petroleum Production Tax, to be allocated to support provinces and districts to fund structured socioeconomic development projects (7.25%) and community development (2.75%)
Industry-wide	Private Investment Law (Law No. 8/23 of June 9 th)	Establishes the legal framework for realization of private investments and eligible incentives	Favors investments that form, multiply and develop national companies; Prioritizes investments that preserve jobs, qualifying and generate income for nationals
	Private-Public Partnership Law (Law n° 15/2011, August 10 th)	Establishes guidelines to contract, implement and monitor public-private partnerships (PPP)	Applicable to national and foreign investments, promotes business partnerships between PPP ventures and MSMEs, and transfer of technology and know-how.
	Constitution of the Republic of Mozambique (Law n.º 1/2018, June 12th)	Reiterates respect for the values and principles of sovereignty and safeguards the prevalence of the national interests in economic participation	Establishes that national interests must be safeguarded by promoting and supporting the active participation of local companies in the consolidation and development of the national economy, and creating incentives to spur their growth

This can leave implementors of local content initiatives to navigate a murky regulatory environment, making it difficult to measure progress

Lack of a Clear Regulatory Framework: ...through guiding principles within the extractives industry

Local Content will correspond to the share or proportion of the value of national production factors applied in the production of a given good or provision of a given service

Guiding Principles for Local Content in Mozambique



Promotion of National Enterprises

- Preferred acquisition of quality-certified Mozambican goods/services not 10% pricier than imported goods.
- Partnerships between national and foreign companies to provide specialized services and boost capacity transfer.



Local Community Development

- Allocation of 2.75% of tax revenue of mining and oil production to fund community development.
- Compulsory consultation of local communities ahead of exploration and resettlement.
- Creation of mechanisms to ensure the involvement of local communities in oil/gas exploration areas.




Employment and Training of Local Talent

- Employability and technical-professional training of Mozambicans, especially in oil and Gas
- Participation of national citizens in the management and operations of oil and gas activities



A strategic approach to improve **local content** implementation in Mozambique

To improve local content implementation, Mozambique needs a more strategic approach that accounts for its context and the stages of LNG projects

 Detailed in the following slides

A

Strengthen and coordinate capacity-building programs to **grow specialized local talent pool and local private sector competitiveness**

Invest in education beyond improved literacy ensuring that local youth is acquiring technical specialized skills that can be leveraged by international oil companies and potential subcontractors

Increase local companies' preparedness to be incorporated into the value chains of LNG and extractives. Establish mechanisms that ensure the transfer of knowledge to the local private sector

B

Invest in enriching government and law-makers **understanding of the LNG industry and respective local content needs in the short-medium and –long term**

Ensure that government and law-makers have a solid grasp of the oil and gas industry and its roadmap in the short-mid term as well as its immediate resource needs (for goods and services)

Initiate the process of creating a unified long-term vision for local content in Mozambique that will inform the creation of specific local content milestones

C

Coordinate multi-stakeholders for the **development of simple and flexible local content guidelines aligned with the socio-economic context**

Agree with multi-stakeholders (including CSOs, IOCs, Local PS, Government, etc) guidelines and principles that will inform local content implementation in the short term while allowing for flexibility to strengthen local content approach as projects are implemented and socio-economic context shifts as a result

Ensure a Multi-Stakeholder buy-in and commitment to operate within the guidelines agreed upon



Government leadership (at all levels – central, regional, and provincial) is crucial for a successful implementation



Strengthen and coordinate capacity-building programs to grow specialized local talent pool and local private sector competitiveness

There are already various capacity-building, job creation, and vocational training programs (see annex 1) being implemented in the country their implementation tends to lack key aspects for long term success

Platforms such as CapacitaMoz and MozYouth empower Mozambican youth with practical skills and professional opportunities, fostering employability and sustainable development.

Initiatives like Work4Progress and MaisEmprego target women and youth, promoting entrepreneurship and creating economic opportunities linked to the natural gas sector.

Additionally, programs like MozUp, Linkar, and PLED support local businesses, especially SMEs, through technical assistance, training, and market linkages, strengthening the supplier base for the LNG industry.

Meanwhile, initiatives like Futuro Group, IFPELAC, and Muva focus on vocational training and innovation, preparing individuals for the labor market and promoting self-reliance and innovation.

Coordination and collaboration

Many of the programs appear to operate independently of each other. There may be a need for better coordination and collaboration among these initiatives to ensure synergy and avoid duplication of efforts.

Targeting specific needs

Some programs may not sufficiently address the specific skills gaps and needs of the local workforce and MSMEs in the oil and gas industry context. Tailoring training and capacity-building programs to meet the demands of the sector could enhance their effectiveness.

Sustainability

There may be questions about the long-term sustainability of these programs, particularly in terms of funding and ongoing support. Ensuring that these initiatives have sustainable funding mechanisms and long-term strategies in place is crucial for their continued success.

Monitoring and evaluation

There is a lack of comprehensive monitoring and evaluation mechanisms to assess the impact and effectiveness of these programs. Regular evaluation and feedback mechanisms could help identify areas for improvement and ensure that these initiatives achieve their intended outcomes.

Integration with industry

While some programs aim to prepare local talent for the LNG industry, there may be opportunities to further integrate these initiatives with industry players and supply chains. Strengthening partnerships with these stakeholders may enhance the relevance and applicability of the training provided.

A

Strengthen and coordinate capacity-building programs to grow specialized local talent pool and local private sector competitiveness

Allocating a percentage of the sovereign wealth fund towards improving capacity building

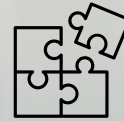
A local content fund can enhance the capabilities of the local workforce and increase the availability of domestically produced goods and services in the medium-to-long term

This fund could **allocate a percentage of oil and gas contracts to local content development**

The fund can be designed to:



Increase local participation in the oil and gas industry and **build local capacity and competencies**



Promote the growth and development of Mozambican Content in activities connected with Mozambican oil and gas Industry sectors



Address persistent funding challenges that have hindered the capacity and growth of local service providers in oil and gas



Facilitate the growth of community-based companies in the upstream oil and gas sector

B

Invest in enriching government and law-makers understanding of the industry and respective local content needs in the short-medium and –long term

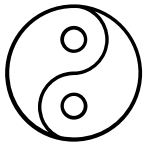
Leveraging benchmarks¹ of economies with and without local content laws, for example, deepen government and law-makers understanding of potential measures to ensure regulatory clarity and define a long-term vision for LC



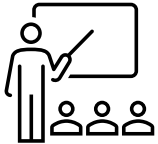
Local content definitions and their implications



Legal mechanism and regulatory landscape



Approaches advantages and disadvantages of their approaches



Lessons learned and local contextualization



Initiate the process of creating a unified long-term vision for local content in Mozambique that will inform the creation of specific local content milestones

1) Some Case studies indicated in Annex 2

Conclusion

The local content mapping emphasizes the crucial need for a well-defined local content framework to ensure Cabo Delgado (and the rest of the country) can fully benefit from the LNG industry. While the conversation relating to the establishment of a dedicated law has been put on hold, focus can be spearheaded towards maximizing the local talent pool and the local private sector.

This can be achieved through the following actions:

- Coordination and collaboration among existing local content programs are essential to prevent redundancy and maximize impact.
- Tailoring these initiatives to address specific skill gaps in the local workforce and MSMEs will enhance their effectiveness.
- Strengthening partnerships with industry players will further integrate local talent and suppliers into the value chain, promoting economic growth and stability in Cabo Delgado.
- Establishing a local content fund forming contracts could significantly uplift the region by providing necessary resources for education, training, and business development, ultimately fostering a competitive and capable local workforce and supplier base.

Annex 1: Local content development programs implemented by the GoM, private sector and NGOs

Programs/projects description



Limited Qualified Local Talented Pool



Limited Competitive Local Supplier



Fundacao Azul - assist, support and transform young people into active citizens, capable of productively promoting challenges and transforming problems into sustainable solutions for their communities.

Partner with governmental and non-governmental entities to best contribute to the future and development of young people, as agents of change, entrepreneurs, innovators, policymakers or leaders.



Capacita Moz - aims to house all capacity-building initiatives related to Mozambican companies, citizens, and public institutions, within the Mozambique LNG Project.

Implementing TVET activities; Allowing local youth to build back the infrastructure

Capacity building of local stakeholders; either Mozambican citizens, (MSMEs), or local institutions by fostering industry development in Mozambique by strengthening business competitiveness.



Future skills -helps companies establish, operate, and grow in Mozambique by delivering robust staffing solutions, internationally accredited training and assessment, and functional business administration support.


Delivers technical, commercial, and community training programs designed to maximize employability.









IFPELAC - is a public institution dedicated to vocational training and results from the merger between the vocational training component of INEFP and the Alberto Cassimo Institute for Labour Studies.

Vocational training

Annex 1: Local content development programs implemented by the GoM, private sector and NGOs

Programs/projects description	 Limited Qualified Local Talented Pool	 Limited Competitive Local Supplier
 <p>Linkar - aims to promote the development of national SMEs in the LNG industry, through technical assistance, training, institutional support, certification, and standardization of processes, as well as by identifying opportunities for business connections and signing contracts for the provision of services.</p>	<p>Promotes the development of all national SMEs including focus on women and youth led SMEs via technical assistance, training, certification and market linkages</p>	
 <p>+Emprego - The project contributes to strengthening investment in Cabo Delgado's human resources and their employability in the natural gas sector and its value chain</p>	<p>Increases economic opportunities for young population, by helping to improve access to decent work and income in activities directly or indirectly linked to the natural gas industry.</p>	
 <p>MozUp – focuses on developing competitive businesses in Mozambique, particularly targeting the LNG supply chain.</p>		<p>Assists MSMEs to enter into growing market opportunities, including the LNG supply chain, and become prepared to compete in Local & international tenders.</p>
 <p>MozYouth - A platform for young Mozambicans to find internships and training on developing employability & entrepreneurial skills.</p>	<p>The internships, conducted various sectors such as energy, engineering, technology, and administration, among others, provide Mozambican youths with practical experiences and professional development opportunities in diverse fields to better integrate into the job market and contribute to the sustainable development of the country.</p>	

Annex 1: Local content development programs implemented by the GoM, private sector and NGOs

Programs/projects description	 Limited Qualified Local Talented Pool	 Limited Competitive Local Supplier
 <p>MUVA - is a social incubator that works for women's economic empowerment and the employability of young people</p>	<p>Created a range of innovative interventions to support young people in preparing for the labour market, with the vision and confidence needed for employment, self-employment, and business strengthening.</p>	
 <p>PLED</p> <p>Economic Linkages For Diversification Project (PLED)- strengthens the performance of MSMEs in Mozambique through economic linkages.</p>		<p>Promote backwards economic linkages to link local goods/service providers to megaprojects and wider private sector to consumers to create a spillover effect in the local economy.</p>
 <p>YWEB – is a multisector local content initiative focusing on tourism, manufacturing, agriculture, ICT, health, and transport, emphasizing youth-led businesses and WEBS.</p>	<p>Provides technical assistance to entrepreneurs, strengthens female youth entrepreneurship capable of generating employment; and creates income opportunities for young people.</p>	
 <p>W4Progress - Identifies employment needs and challenges and promotes job creation, especially among young adults and women in vulnerable situations in Cabo Delgado and Maputo in Mozambique.</p>	<p>Promotes entrepreneurship and job creation for women and youth, fostering innovation through prototype-scaling and financial instruments.</p>	

Annex 2: Case studies of local content implementation across the African continent

A

Many countries have flexible regulatory mechanism that adapt based on the phase of megaprojects...



Formerly governed by the outdated 1994 Hydrocarbons Code, the local content in DRC is regulated by legal texts from the newly revised Law No. 15/012 of 1 August 2015 with a focus on the development of human capital and technology transfer.



Liberia uses a combination of regulations and decrees to guide the local content implementation in the country under the Mining Law 2000, which sets out provisions common to all mining licences. These are updated regularly to continue to respond to the context needs

B

...others design and enforce a local content law to create market clarity



Angolan government established the Presidential Decree No. 271/20 mandates local content rules for companies in the Angolan oil sector, including a requirement for local goods and services utilization and workforce development.



The Nigerian Oil and Gas Industry Content Development Act of 2010 stipulates the rules of engagement in prioritization of Nigerian products, services, and employees in the oil and gas sector.



Senegal's local content implementation is guided by the Law No. 2019-04 of February 1, 2019 which prioritizes indigenous participation and local content plans.

Annex 2: Case studies of local content implementation across the African continent



The Democratic Republic of Congo

- There is no dedicated local content law and the country governs local content through various legal documents, particularly emphasizing nationalization policies
- The guidelines stipulate ambitious targets for workforce integration, requiring companies to ensure that the majority of their staff are Congolese within a specified timeframe
- New companies must submit comprehensive plans for nationalization and job creation for Congolese citizens within a short period after their establishment.
- Decree n° 2019-343 regulates the supply of goods, services, and personnel in the oil sector, categorizing contracting regimes based on capital requirements and technical expertise



Liberia

- There is no specific dedicated, but section 20 of the Mining Law 2000 contains provisions addressing local content within mining licenses. These provisions are further detailed in Mineral Development Agreements (MDAs), which establish requirements for local participation in the mining sector, particularly in employment and training, to ensure that the benefits of mining activities extend to the local workforce and communities.
- The Mining Law emphasizes training to enable Liberians to qualify for skilled positions, and recent MDAs often include provisions for overseas scholarships or support for local universities to achieve this goal.
- Companies are encouraged to source inputs from domestic suppliers if available competitively and to give preference to goods and services produced by Liberian firms, provided they meet comparable standards.

These guidelines demonstrate a commitment to promoting local participation and economic empowerment, but their **effectiveness depends on enforcement mechanisms, transparency, and alignment with broader development objectives**

Ongoing monitoring and evaluation are essential to assess the impact of these measures on local communities and their respective sector's sustainable development.

Annex 2: Case studies of local content implementation across the African continent: advantages

A

Countries without dedicated LC laws must **balance short-term advantages with the long-term benefits of local talent...**

Flexibility for Investors

Without stringent local content requirements, foreign investors and multinational companies may find it easier to enter and operate in the market. They are free from the obligations of sourcing locally, which might be difficult or expensive due to limited or underdeveloped local industries

Attracting Foreign Investment

A more open regulatory environment can be more attractive to international businesses. These companies may be more willing to invest in a country if they are not obligated to comply with strict local content laws that could increase operational costs or complicate business processes

Avoiding Inefficiencies

In some cases, local content laws can lead to inefficiencies, such as protectionism or the promotion of less competitive local industries. Without such laws, countries might avoid these inefficiencies, fostering a more competitive market environment

B

...while countries with existing LC laws create a **prosperous economy through sustainable development gains**

Job Creation

By requiring companies to hire from the local workforce, these laws boost employment opportunities for residents. This is particularly beneficial in reducing unemployment and underemployment in areas with abundant natural resources but limited job opportunities

Skill Development

Local content requirements often include provisions for training and skill development for the local workforce. This not only improves the employability of individuals but also enhances the overall skill base of the country, which is crucial for long-term economic growth

Economic Retention

These laws ensure that a larger share of the profits from natural resources and large-scale projects remains within the country, contributing to the overall economic development.

Annex 2: Case studies of local content implementation across the African continent: disadvantages

A

The absence of LC laws can also result in missed opportunities that can potentially hinder national growth and development...

Skill Development Stagnation

Local content laws often include provisions for training and skill development to prepare the local workforce for specialized roles. Without such laws, the transfer of skills and technology may be minimal, hindering the development of local talent and industry competitiveness

Economic Dependency

Countries may become overly dependent on foreign expertise and imports, which can stifle local industry development and innovation. This dependency can hinder long-term economic stability and resilience

Weaker Local Businesses

Local businesses may struggle to compete with foreign companies that benefit from economies of scale and more advanced technologies. Without the protective and promotive framework that local content laws provide, local firms may not grow and thrive

B

...and, though the goal of LC laws is to promote domestic industry growth and economic empowerment, they can pose challenges to long term-development

Reduced Competitiveness

By restricting companies to local inputs, these laws can limit the ability of businesses to source the most competitive or innovative solutions available globally. This might result in reduced competitiveness of both the companies and the national economy on a global scale

Limited Capacity

In some cases, local industries may not have the capacity to meet the demand, or the technical specifications required by larger projects, particularly in specialized or emerging sectors. This can lead to delays, decreased productivity, and compromised project quality

Distortion of the Market

Local content laws can artificially inflate the size and capability of certain industries beyond what market forces would naturally dictate. This can lead to inefficiencies and misallocation of resources within the economy

Annex 2: Case studies of local content implementation across the African continent: Lessons learned

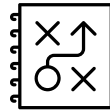
A

While a law is not passed, Mozambique can lean towards benchmarks set by countries with clear legal frameworks:



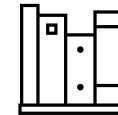
Emphasizing Ambitious Workforce Integration Targets

Mozambique can adopt ambitious targets for workforce integration similar to those outlined in the DRC's local content guidelines. **By setting clear objectives for the employment of local citizens within specific timeframes, Mozambique can promote the development of local skills and capacities in the oil and gas sector.**



Implementing Comprehensive Nationalization Plans

Following the DRC's approach, Mozambique can require companies to submit **detailed plans for nationalization and job creation for Mozambican citizens within a specified period.** These plans could outline strategies for skill development, job training, and capacity building to ensure meaningful local participation in the industry.



Promoting Skills Development and Training Initiatives

Similar to Liberia's emphasis on training programs to qualify locals for skilled positions, Mozambique **can prioritize skills development initiatives tailored to the needs of the oil and gas sector.** **By investing in education and training programs,** Mozambique can empower its workforce to actively participate in and benefit from the industry.

Annex 2: Case studies of local content implementation across the African continent: Lessons learned

B

If the discussion regarding a Mozambican local content law advances, these are some laws with specialized features to learn from:



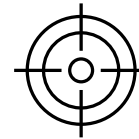
Collaboration with Industry and Educational Institutions

Following **Nigeria's example**, Mozambique could foster collaboration between industry players, educational institutions, and government agencies to execute its local content law effectively. By providing training, skills development programs, and incentives, Mozambique can empower its local workforce to actively participate in the oil and gas sector.



Prioritize capacity building and establish smart partnerships

By enhancing **local skills and fostering collaborative relationships**, meaningful participation in the LNG industry can be ensured. This allows the enforcement of targets to guarantee these efforts translate into tangible results.



Setting Ambitious Local Content Targets

Senegal's target of achieving a 50% local content ratio by 2030 can inspire Mozambique to set ambitious yet achievable goals. By establishing clear targets and timelines, Mozambique can incentivize local participation and create a conducive environment for investment and growth in the oil and gas industry.



Establishment of Local Content Development Funds

Mozambique could explore the establishment of a **dedicated fund similar to the Nigerian Content Intervention Fund**. This fund could be financed through a percentage of oil and gas contracts or from the sovereign fund, aiming to support local content development initiatives, capacity building, and technology transfer.

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Thank You!

